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July 13, 2000

Magalie Roman Salas, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

RECEIVED

JUL 13 2000

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: **Notice of Permitted Ex Parte Contact**  
**WT Docket No. 97-82**

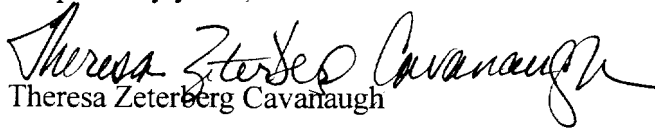
Dear Ms. Salas:

The purpose of this letter is to advise the Commission of a permitted *ex parte* contact in the above-referenced proceeding. On July 12, 2000, John Dolan (President and CEO), Steve Curtin (Vice President of Business Development) and Mark Kelso (Chief Technology Officer) of Northcoast Communications, LLC ("Northcoast"), Brett Tarnutzer of Wallman Strategic Consulting and the undersigned met jointly with Peter Tenhula of Commissioner Michael Powell's office to discuss the issues raised, and comments and reply comments filed, in the Further Notice of Proposed Rule Making in the referenced proceeding. Northcoast is a designated entity that holds 49 D, E and F block broadband PCS licenses and opposes the proposals to eliminate the designated entity rules for the C and F block reauction.

At the meeting, the attendees discussed Northcoast's opposition to the various proposals to modify the FCC's designated entity rules for the upcoming reauction, and the various compromise positions that have been proposed. The discussion focused on the ability of designated entities in general, and Northcoast in particular, to raise sufficient capital to build out major markets, the current cost of building out broadband PCS systems in major markets, the number of designated entities that presently are interested in acquiring spectrum in major markets and their alternative business plans, and issues relating to the efficient use of spectrum. The participants also discussed the cost projections that were filed as part of the Comments of Nextel Communications Inc. in this proceeding. The attached presentation outline was also left with Mr. Tenhula.

Please contact the undersigned if you have any questions about this matter.

Respectfully yours,

  
Theresa Zeterberg Cavanaugh

cc: Peter Tenhula

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# Northcoast Communications

Ex-parte Presentation

97-82

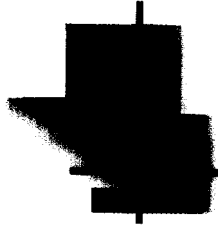
July 12, 2000



# Overview

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- Competition Is Coming
  - Northcoast overview, buildout schedules & maps
- Stone Throwers Shouldn't Live In Glass Houses
  - 5 large carriers warehouse PCS licenses
- Why 20 Mhz Isn't Enough For Voice and Data In 3G
- A Tale of Two Buildouts
  - Is Nextel kidding?
- Cellular Cries Wolf
  - 60% of cellular spectrum is used for analog service in large markets
- The Real Agenda
  - Or how to kill competition before it gets started
- The F Block
- When Is A Tier Not A Tier?
- They Can't Handle The Truth
- 1996 & 2000 – Then and Now

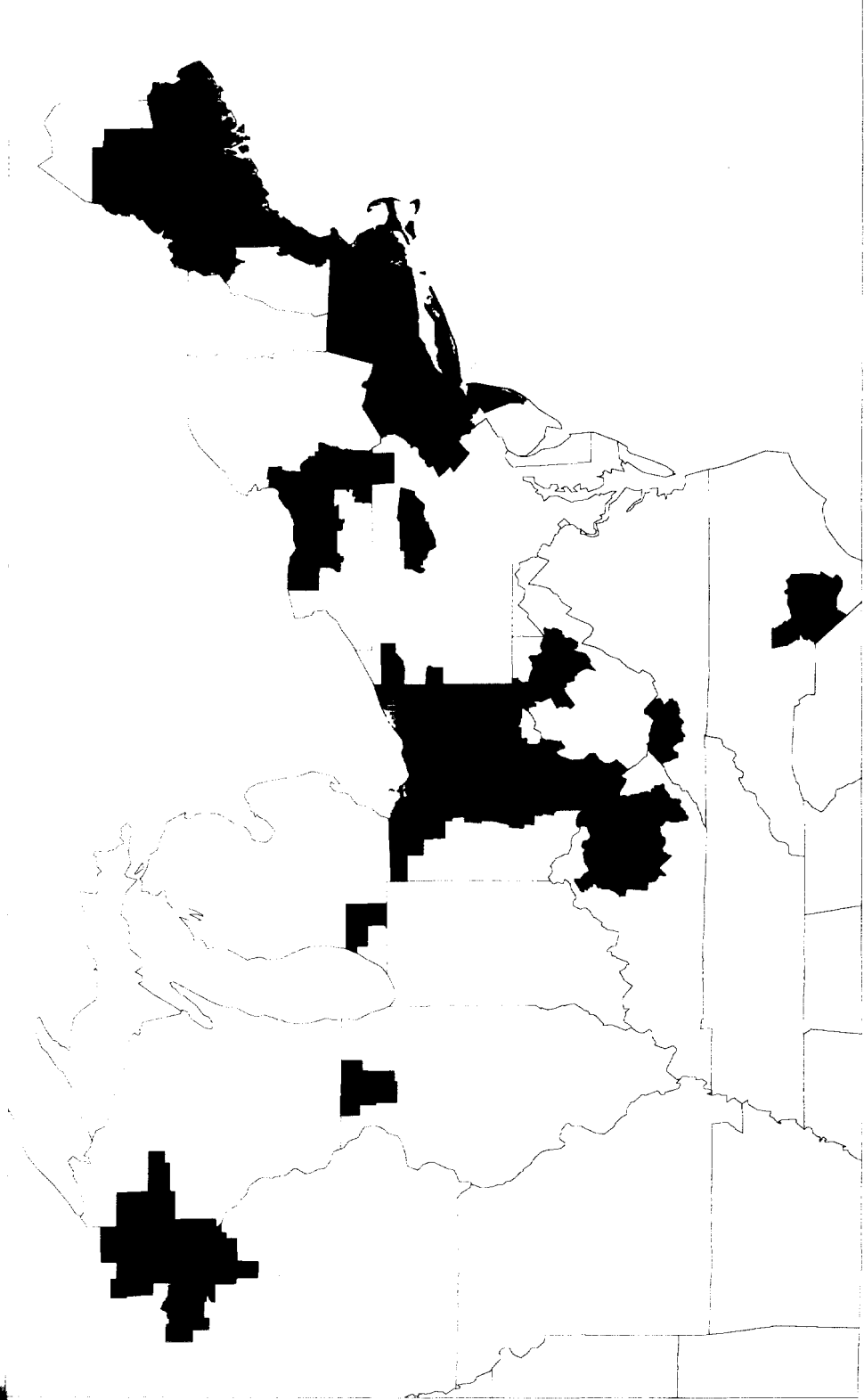


# The Company

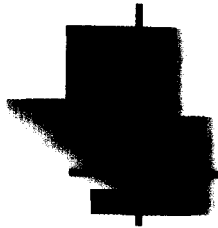
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- **Northcoast holds 49 BTA licenses**
  - 44 F block markets
  - 5 D & E block markets
- **Attractive regional footprint**
  - New England cluster – contiguous properties from New York through Maine
  - Ohio cluster – entire state of Ohio except Cincinnati & Dayton plus Lexington, KY
  - Upstate NY cluster – Rochester, Syracuse & Binghamton
  - Above average population density
  - Strong demographics

# Northcoast Footprint



Northcoast Communications L.L.C.



# Northcoast Strategy

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- **Be the second local telephone provider instead of the 8<sup>th</sup> wireless provider**
- **Offer easy to understand, low-cost mobile wireless voice and high speed data services as an alternative to wireline service**
- **Make wireless a true a mass market consumer service**
- **Be a low-cost provider of wireless services in each of our markets by leveraging:**
  - Latest generation infrastructure
  - Lowest cost licenses
  - Streamlined operating systems
    - Billing, customer care & distribution
- **Focus on underserved market segments**
  - Low to moderate income households
  - The 70% of Americans that don't have a wireless phone



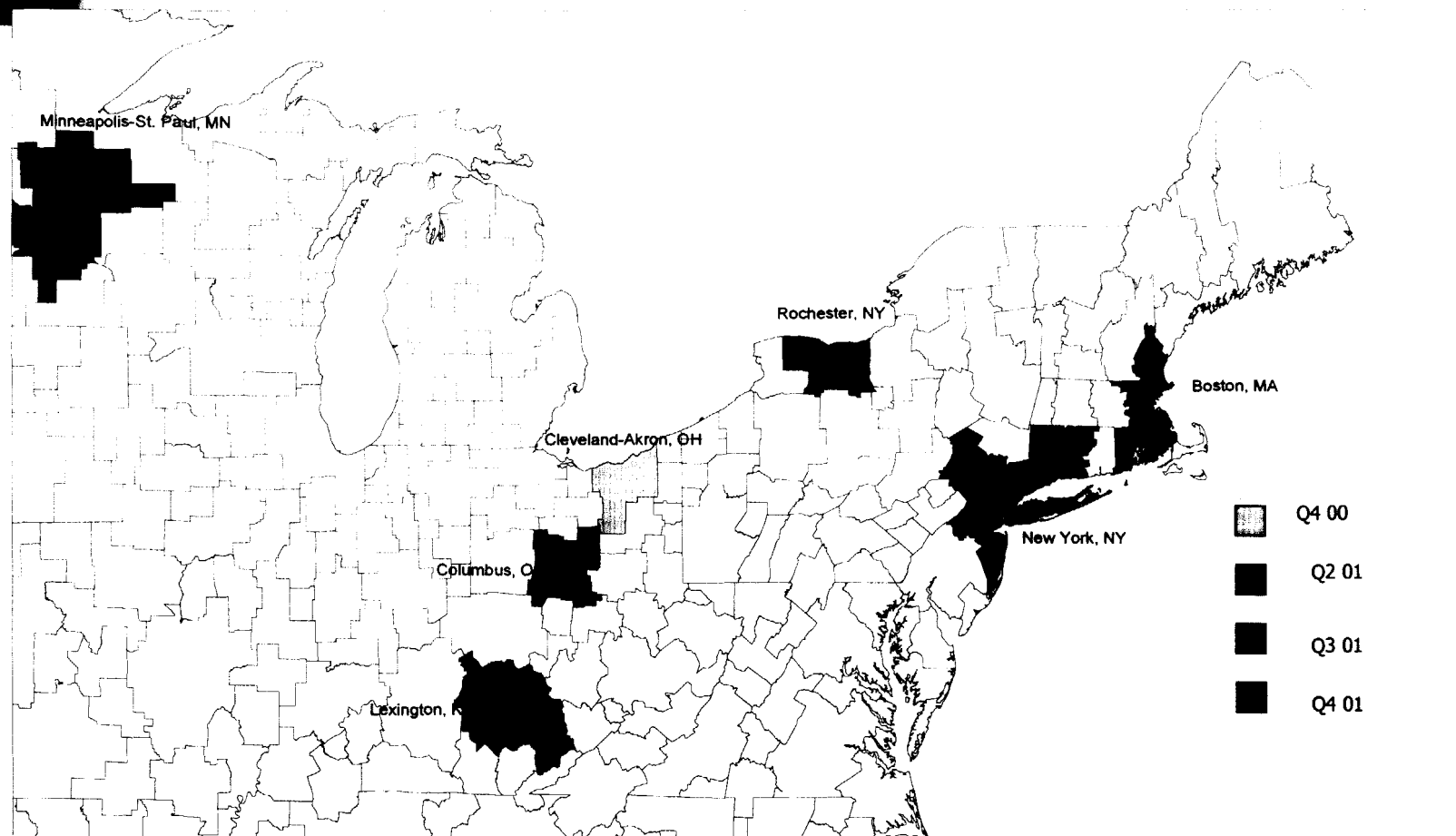
## Position in 97-82

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- Support 10-10-10 spectrum plan
- Advocate 20 MHz DE set aside in all markets
  - Tiering is arbitrary and there is no evidence in the record to support the establishment of any proposed tier
- 20 MHz is required for a viable 3G voice and data business in major markets
- Bidding credits are ineffective when competing against large mega carriers
- F Block should be retained by DEs

# Competition is Coming

## Northcoast Top 50 Market Buildout Schedule

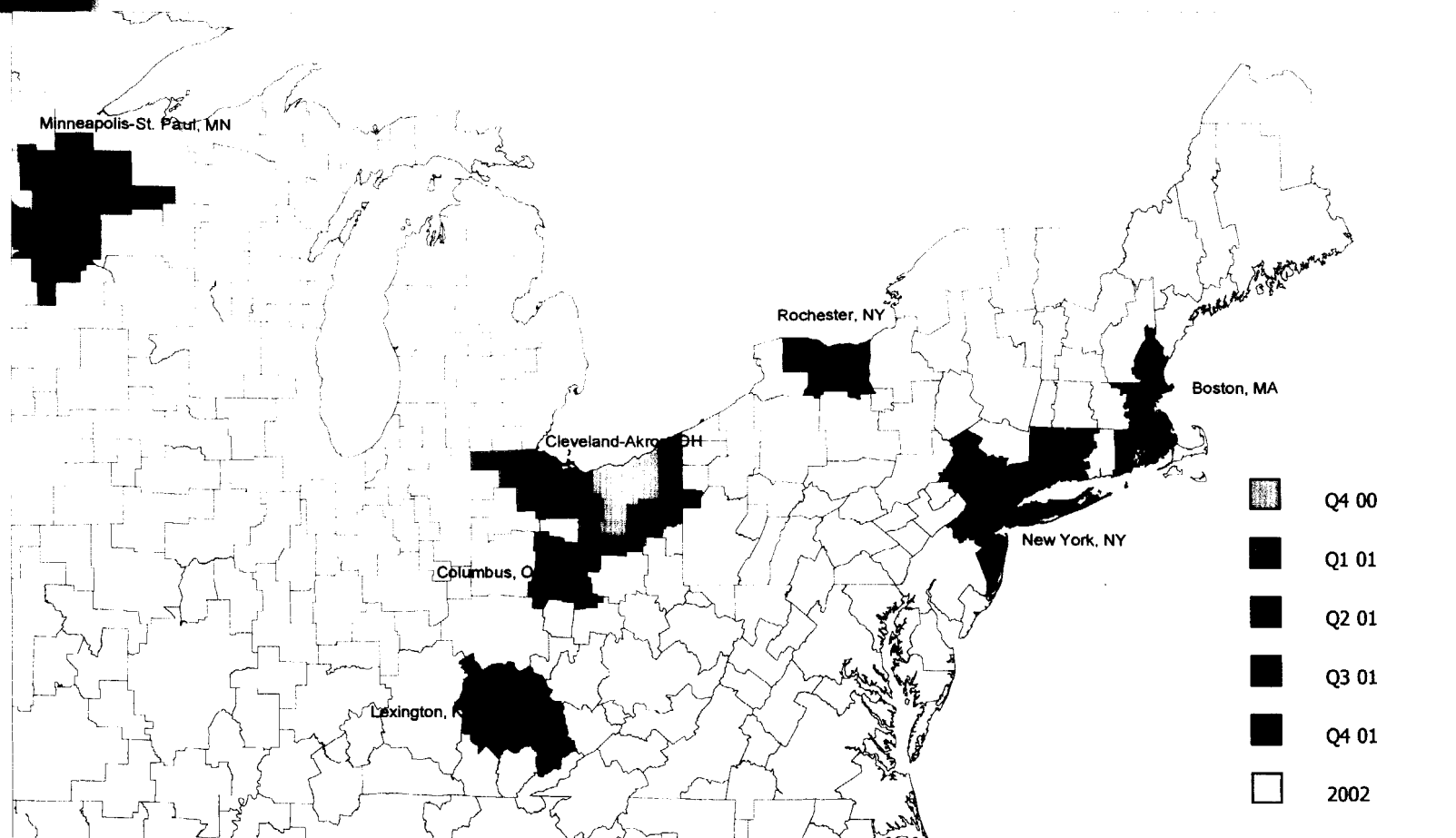


Northcoast Communications L.L.C.



# Competition Is Coming

## Northcoast Full Build Out Schedule



Northcoast Communications L.L.C.



## Northcoast Buildout Schedule

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- Cleveland – Q4 00
- Northern Ohio – Q1 01
- Boston, Minneapolis – Q2 01
- Columbus, Providence, New Haven - Q3 01
- New York, Hartford, Rochester Lexington – Q4 01
- Southern Ohio, New England, Midwest, Upstate New York Clusters - 2002



# Stone Throwers Shouldn't Live In Glass Houses

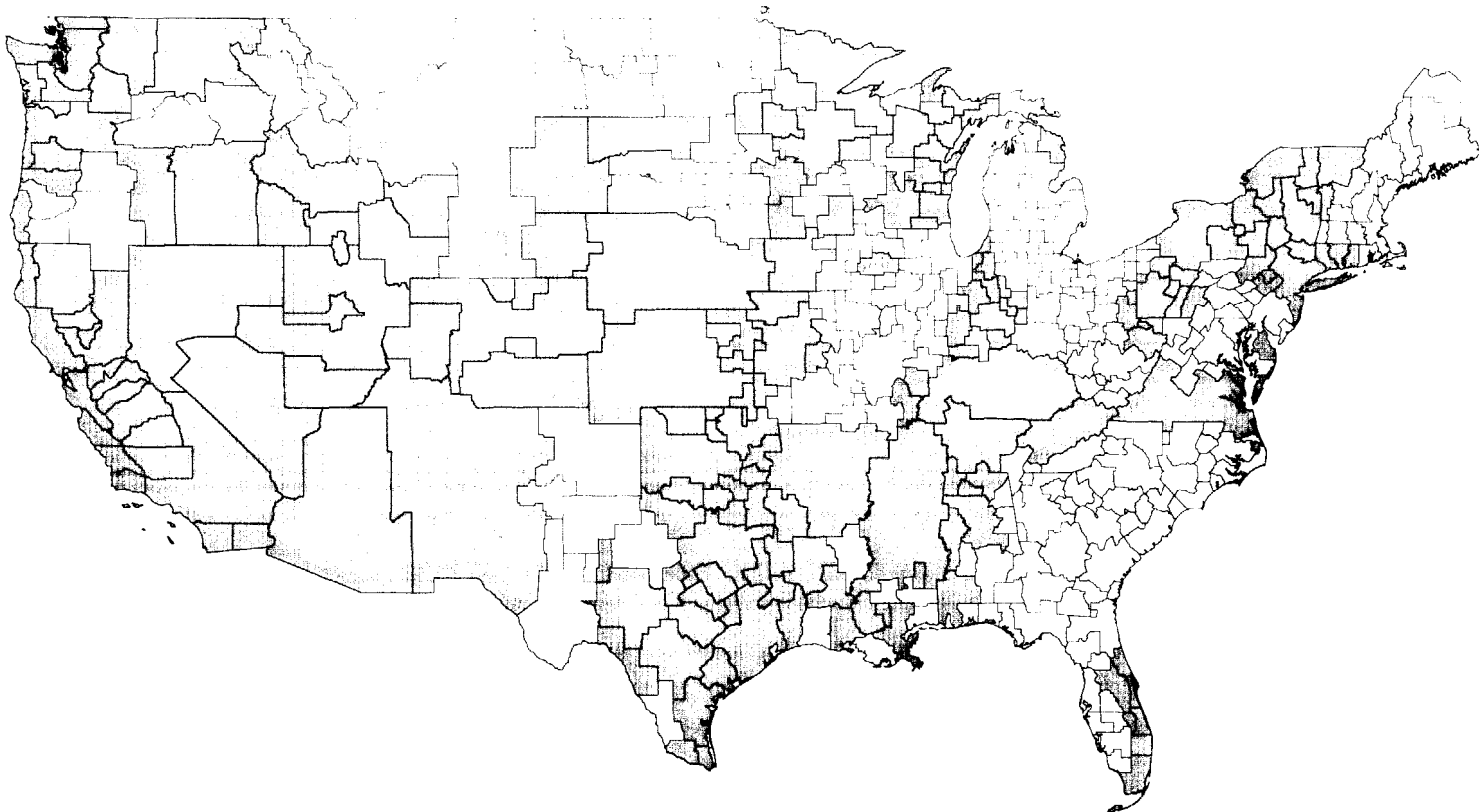
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- Large wireless providers are warehousing PCS spectrum
  - AT&T
    - Holds 221 un-built D and E Block licenses
    - Holds 11 un-built A and B Block licenses
  - US West
    - Holds 22 un-built D and E Block licenses
  - Voicestream
    - Holds 47 un-built C and F Block licenses
  - ALLTEL
    - Holds 66 un-built D and E Block licenses
  - SBC/Bellsouth
    - Holds 30 un-built A, B, D and E Block licenses

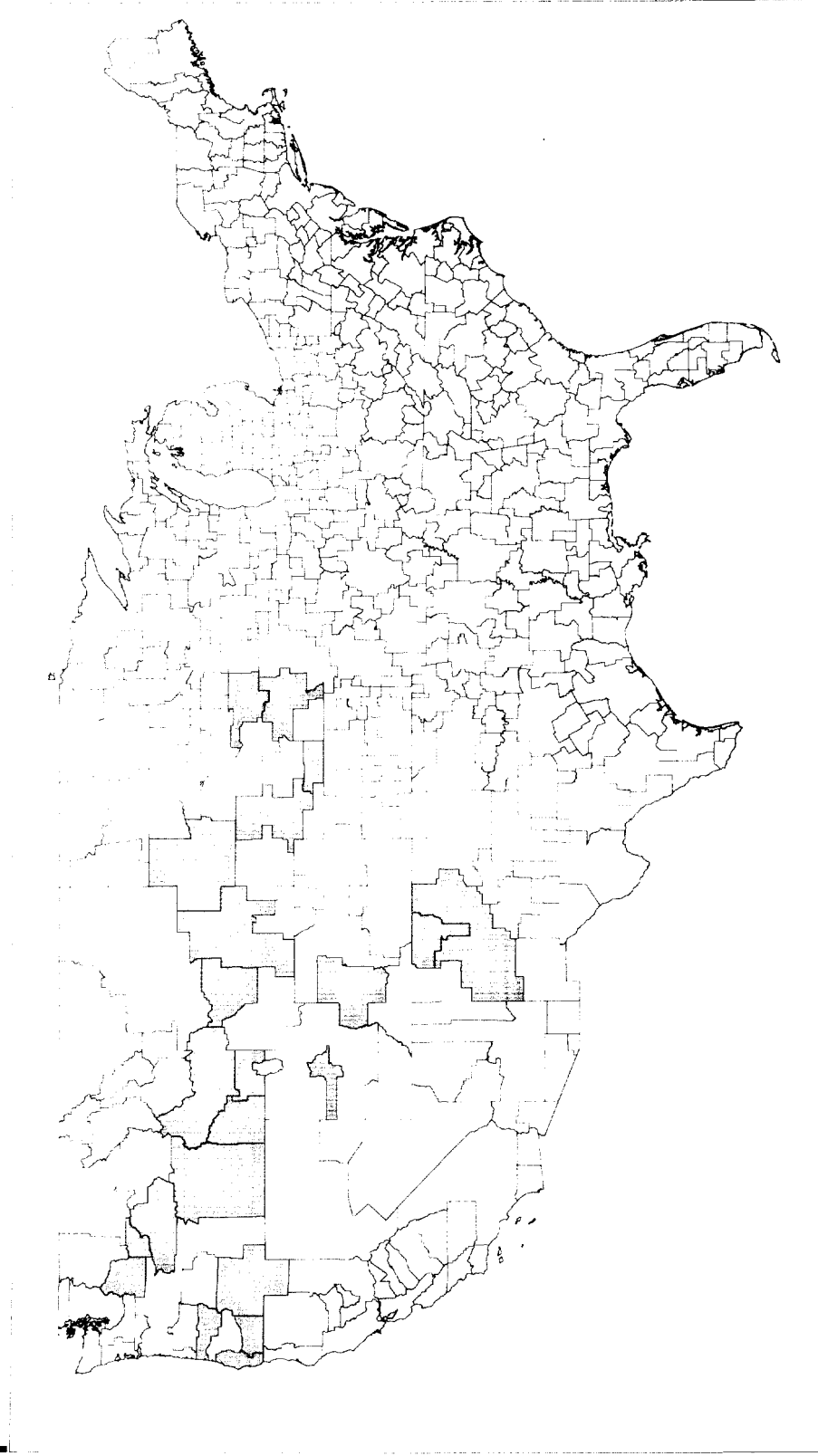
# AT&T

221 Un-built D & E Block Licenses

11 Un-built A & B Block Licenses



# US West 22 Un-built D & E Block Licenses

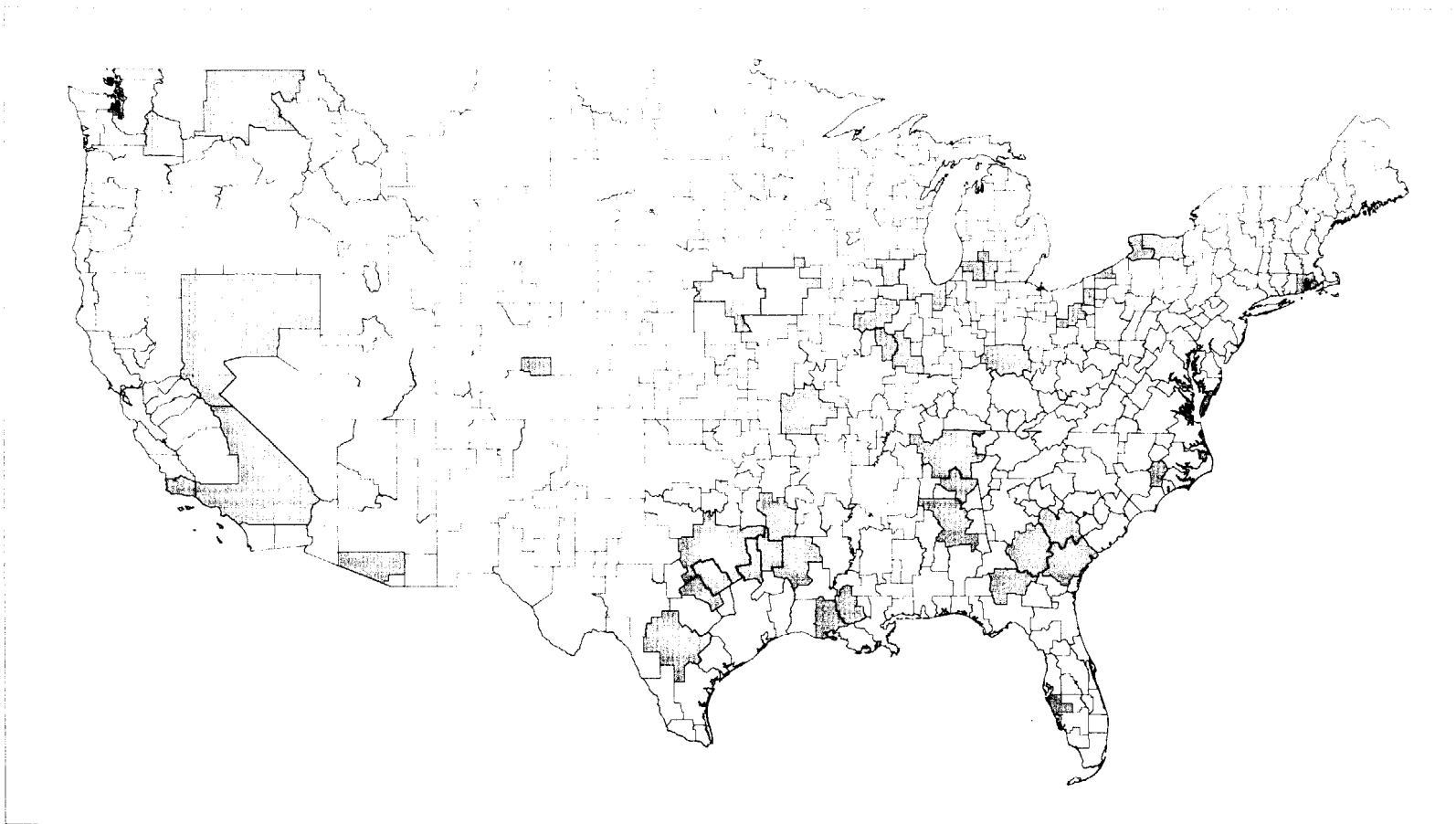


Source: DJ Global Wireless Report 6/2000

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 Voicestream

## 47 Un-built C & F Block Licenses

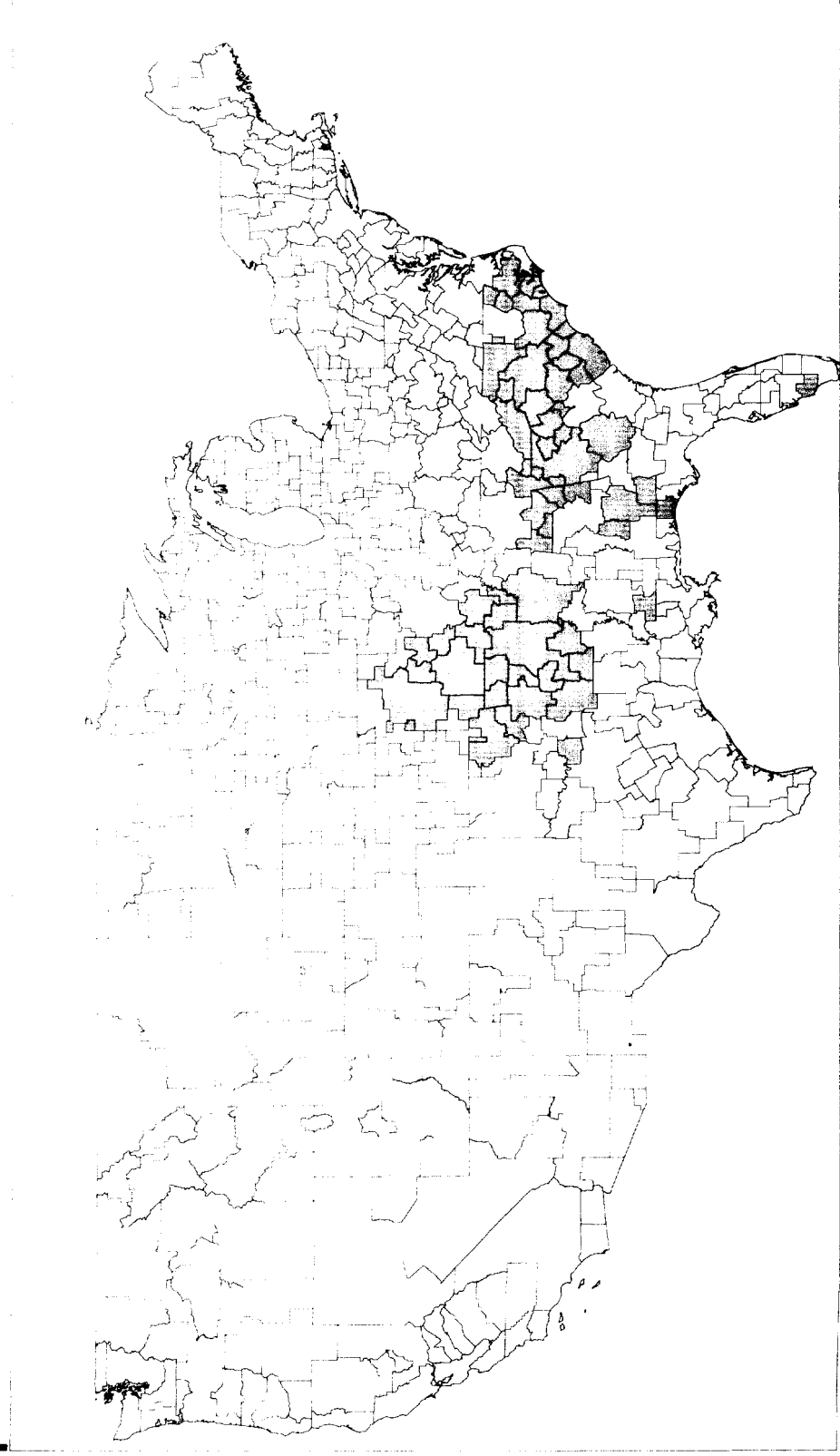


Source: DLJ Global Wireless Report 6/2000

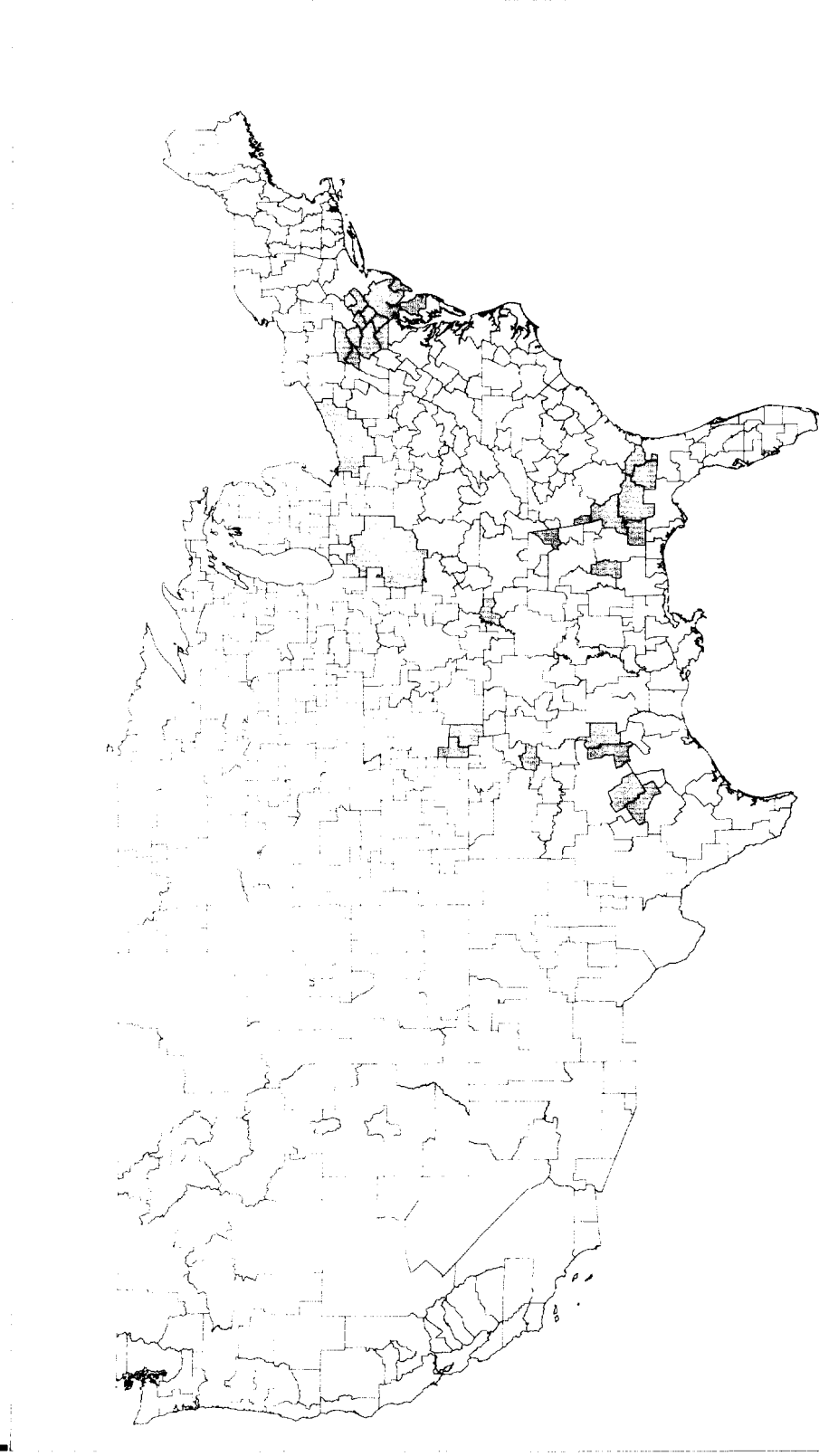
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# ALLTEL

## 66 Un-built D & E Block Licenses



# SBC/Bellsouth 30 Un-built A, B, D & E Block Licenses

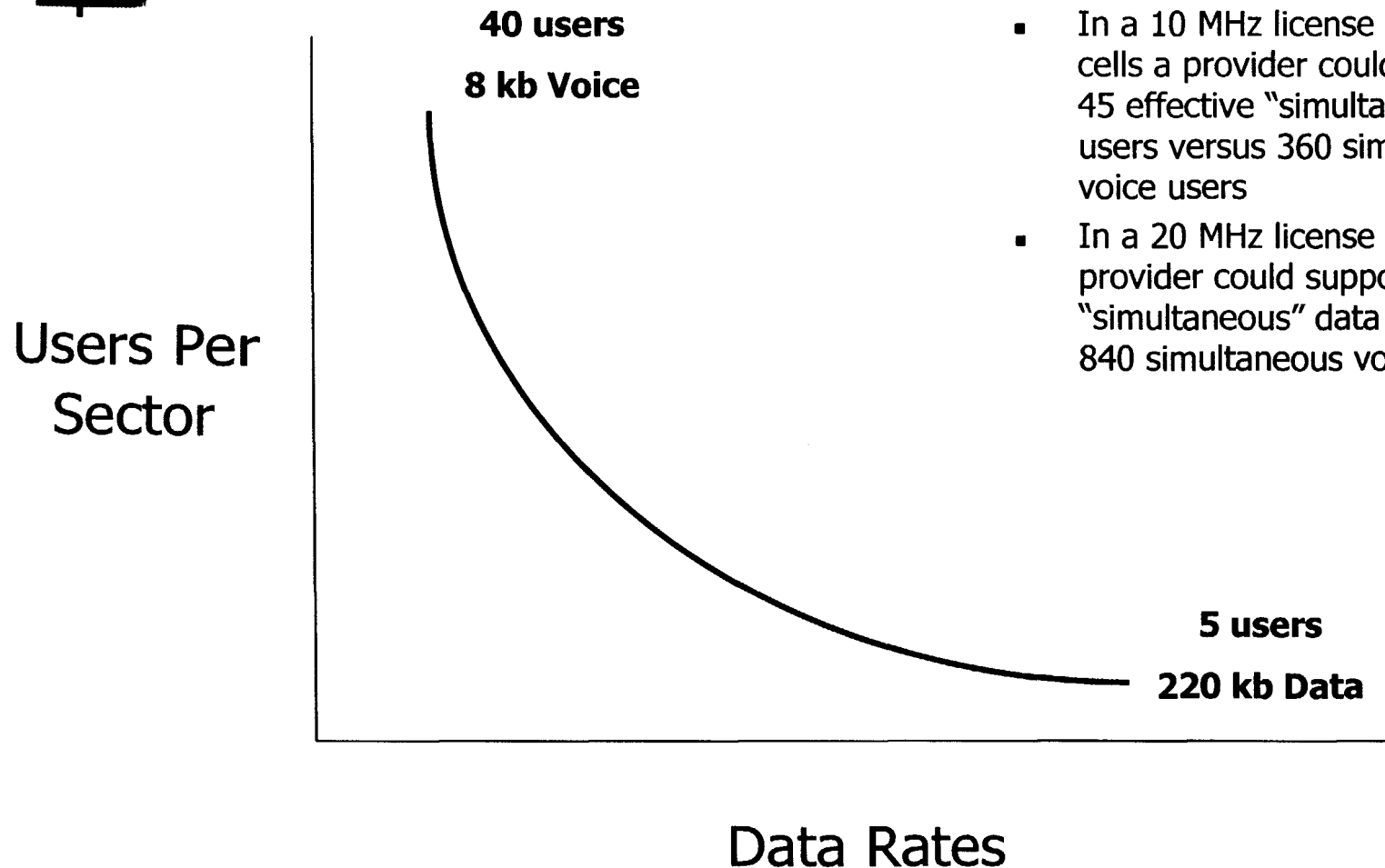


Source: DLJ Global Wireless Report 6/2000

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# 20 MHz is necessary to support both voice and data users in 3G



- In a 10 MHz license using 3 sector cells a provider could support just 45 effective "simultaneous" data users versus 360 simultaneous voice users
- In a 20 MHz license that same provider could support 107 "simultaneous" data users versus 840 simultaneous voice users


$$3 + 3 = 7$$

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- 10 MHz supports 3 CDMA carriers (voice or data), with guard bands
- 20 MHz in adjacent spectrum supports 7 CDMA carriers (voice or data) with guard bands



# A Tale of Two Buildouts

- **Nextel – Norfolk**

- 1.1 Million POPs
- 600 cell sites
- \$550 Million funding requirement
- Cash flow positive in 2007
- Implies \$343 funding requirement per POP

- *(Does not include capex per POP is \$2700)*

- **Northcoast – Cleveland**

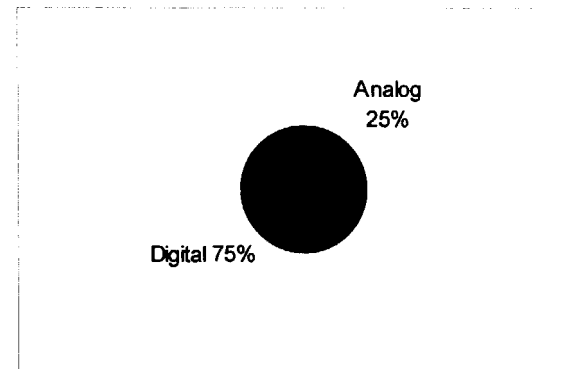
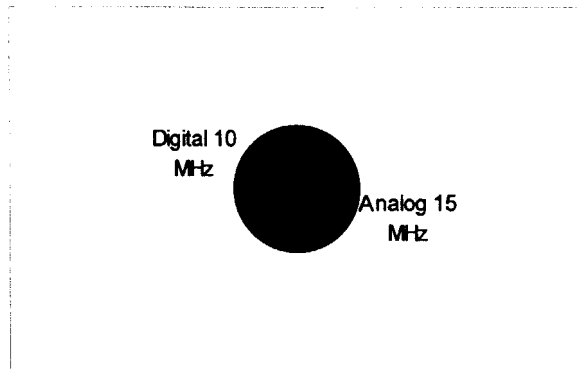
- 3 Million POPs
- 112 cell sites covering 90% of market POPs
- \$100 Million funding requirement
- Cash flow positive in 2002

***This is the same rationale AT&T used 25 years ago to suggest why MCI could not construct long haul microwave networks!***

# Cellular Cries Wolf

## New York Market Example

- **60% of carrier's licensed spectrum is dedicated to analog service!**
- 3 CDMA RF carriers require 10 MHz (7.5 MHz + guard bands)
- **75% of busy hour minutes are on the digital side of the network!**





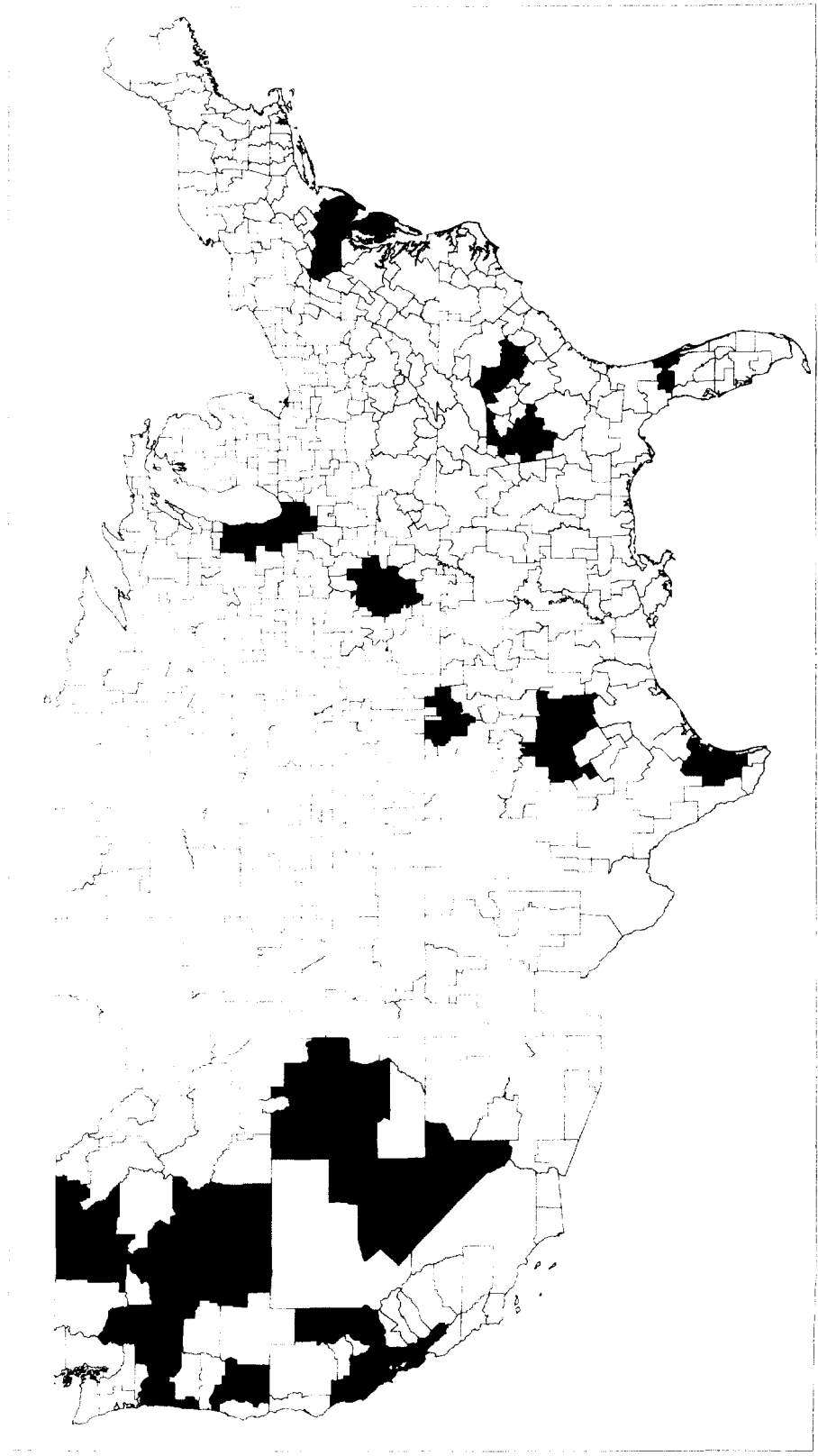
# The Real Agenda

Or how to kill competition before it gets started

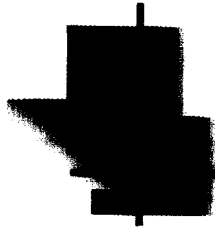
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- Myth – “It costs less to buy additional spectrum than it does to upgrade analog users to digital”
- Reality – It costs much more
  - Example – A nationwide wireless carrier with 5 million subscribers, 50% of which are analog
    - Cost to convert 2.5 million analog subscribers to digital @ \$100 per subscriber handset upgrade and \$100 per subscriber network capital upgrade = **\$500 million**
    - Cost to acquire PCS licenses covering 150 million POPs at @ \$50 per POP = **\$7.5 Billion**
    - This would free up 10 to 15 MHz of existing spectrum for 3G!
- **Big wireless companies want DE spectrum to stifle future competition**

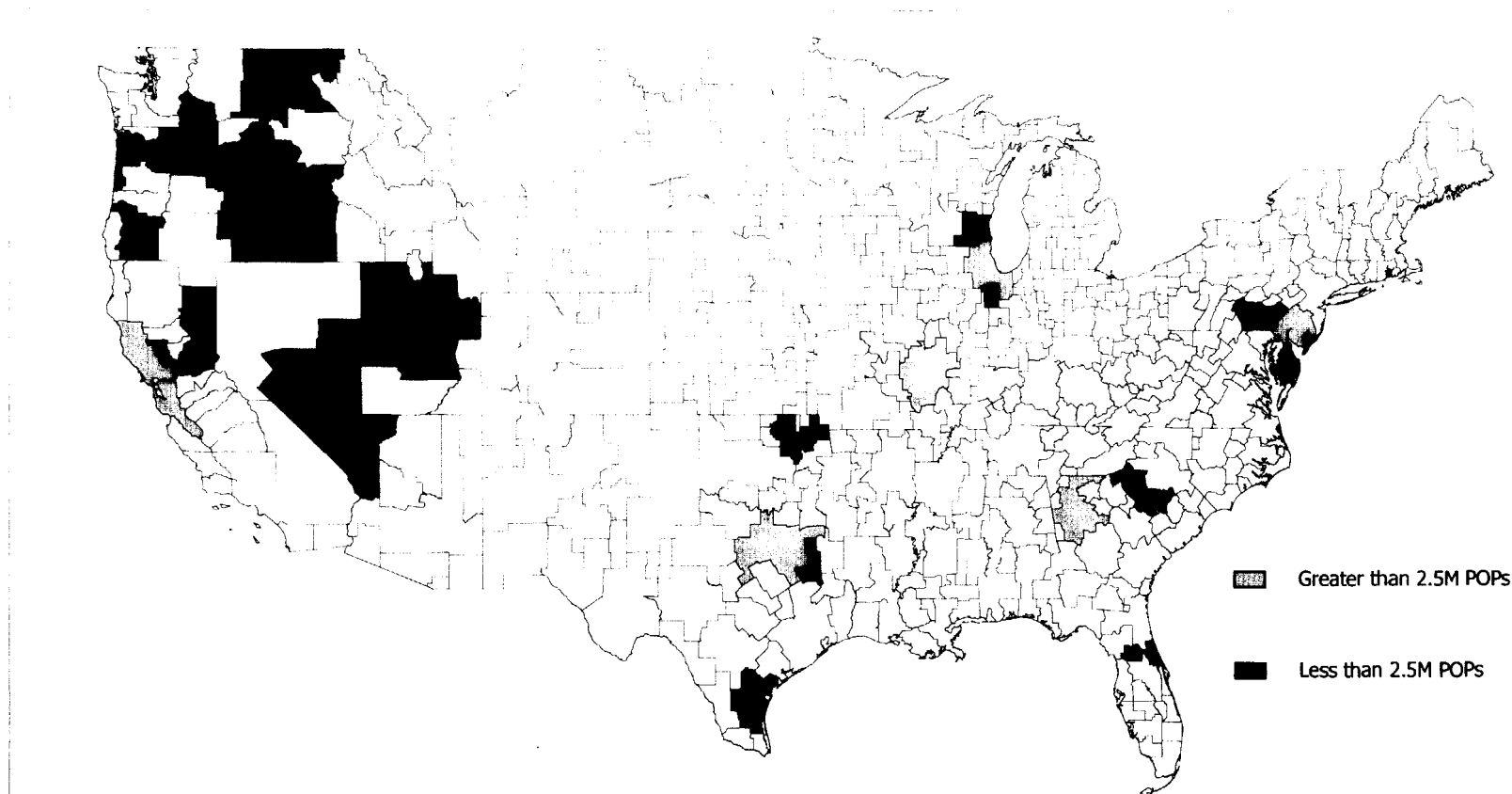
# F Block License Re-auction



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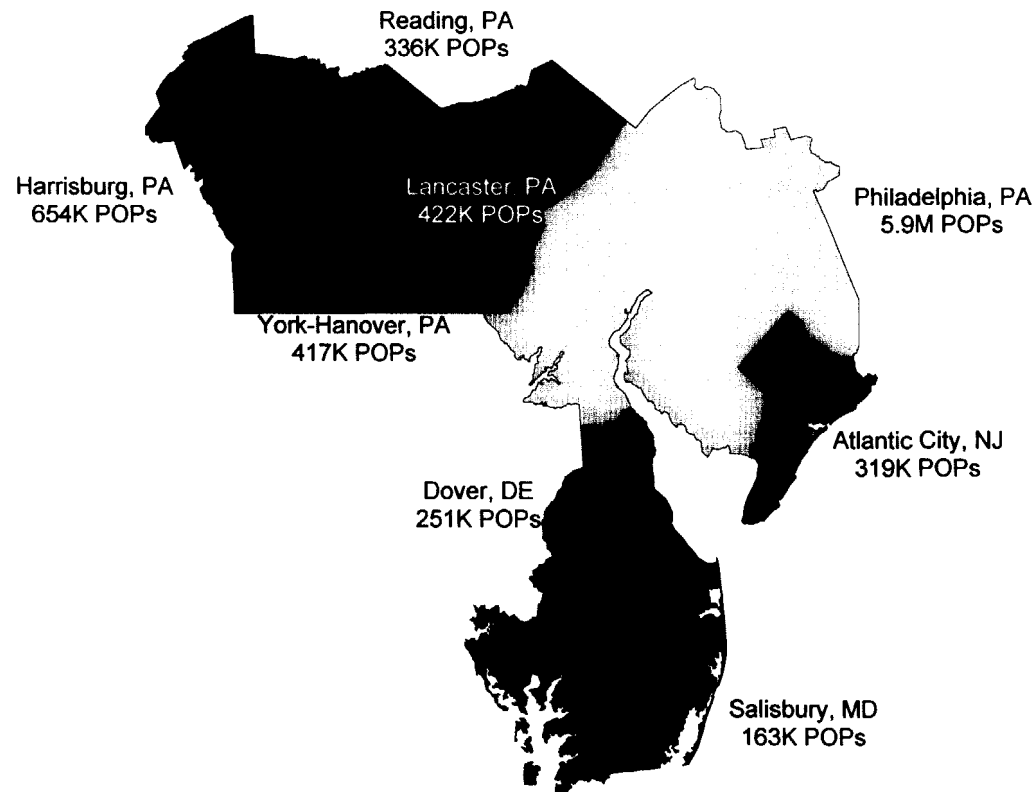
# F Block License Re-auction With Tier



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# The negative effect of excluding DEs from Tier1 F Block markets

- The likelihood of a successful business plan for the PA BTAs is greatly enhanced with the inclusion of the Philadelphia BTA



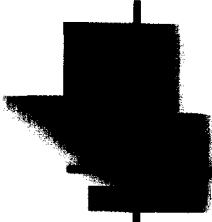




## When is a Tier not a Tier?

- The incremental capital cost to deploy a Tier 1 network versus a Tier 2 network is minimal in many cases

Market	<u>Columbus</u>	<u>Cleveland</u>	<u>Minneapolis</u>	<u>Boston</u>	<u>Philadelphia</u>
POPs	1.6M	2.9M	3.1M	4.2M	5.9M
Cell Sites	100	120	120	140	150
Capital (millions)					
Cell Sites @ \$140K	14	17	17	20	21
Switch Building	1	1	1	1	1
Switching @ 50K/cell	5	6	6	7	8
Total	\$20M	\$24M	\$24M	\$28M	\$30M



## They (Big Wireless Companies) Can't Handle The Truth

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- DEs are building out...faster than some large providers
- DEs have financing
- The costs to deploy networks have decreased dramatically
  - 1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup> generation cell sites
- Consumers want the innovative services DEs are bringing to market
- *Consumers want competition*



# 1996 & 2000 -Then and Now What Has Changed

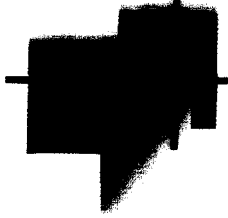
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## **1996**

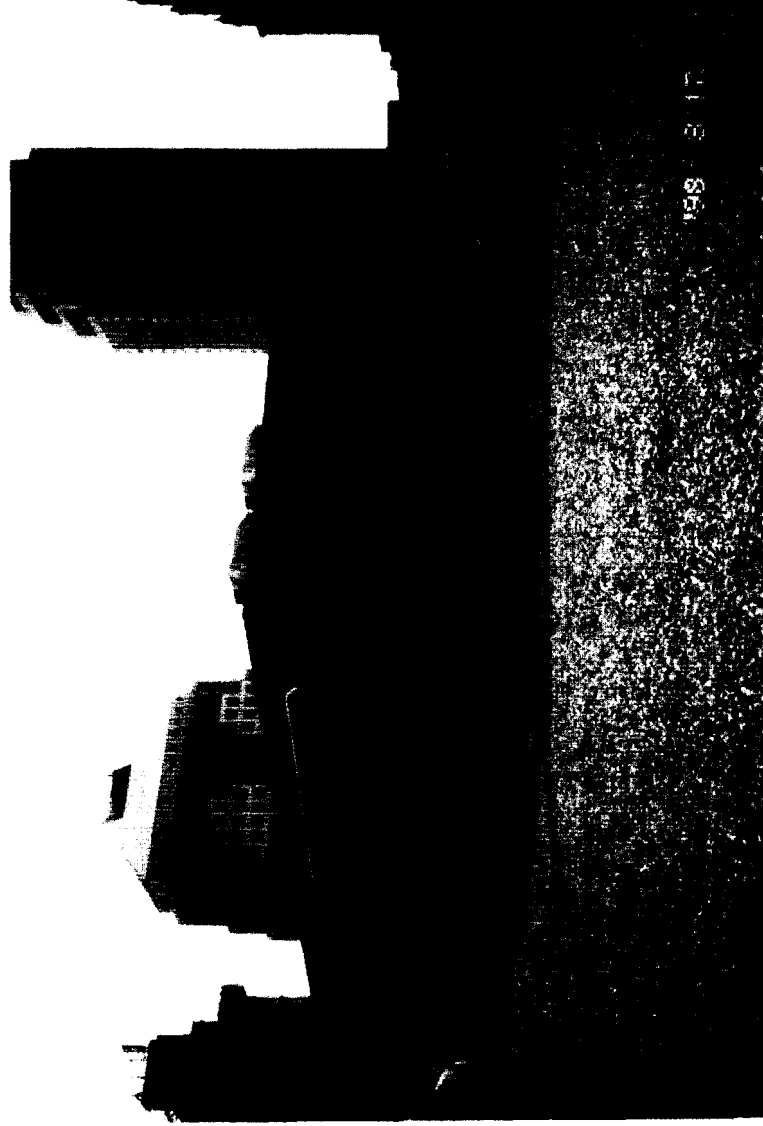
- Spectrum “glut” myth
- 10 MHz not enough to support voice or data
- Lack of financing for DEs
- CDMA technology unproven
- Wireless stocks depressed

## **2000**

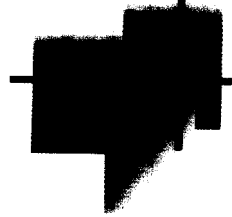
- Spectrum “shortage” myth
- 10 MHz is enough to launch voice
- Financing available
- CDMA is established
- Wireless stocks valued by market



# First Generation Cell Site - \$1Mil.



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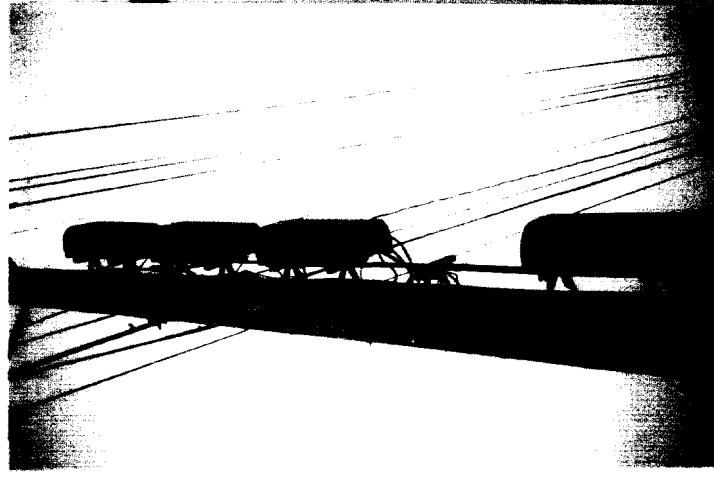
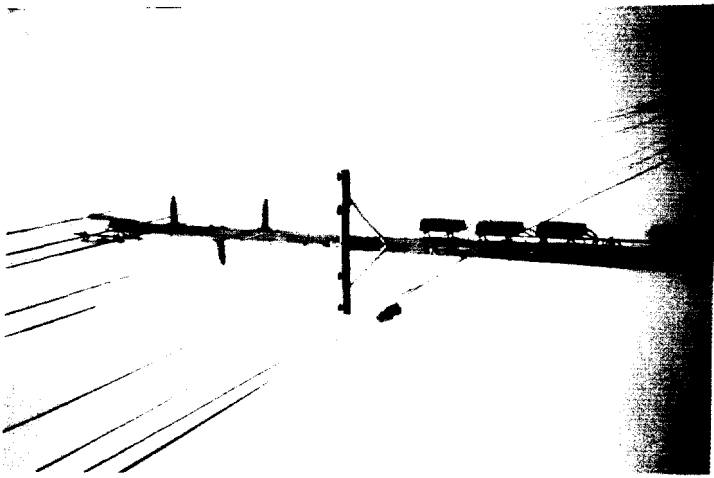


# Second Generation Cell Site - \$400K



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# Third Generation Cell Site - \$120K



Indoor Version

